

THE ANALYSIS OF COMPANY PERFORMANCE USING BALANCED SCORECARD AT PT. HONDA MARTADINATA 2 MANADO

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ABSTRACT

In today's world global competition, improving the performance is the one of successful key. Many of the company has traditionally only focused on the financial performance side. Successful managers achieve a high level of profit will be judged successful and earn good rewards from the company. To overcome the problem of the weakness of the company's performance measurement system focused on financial aspects and ignore non-financial performance, such as customer satisfaction, employee productivity, and so on, it was created a performance measurement model that not only includes only financial but also non-financial, that the concept of Balanced Scorecard (BSC) method. This research aim to Measurement How is PT. Honda Martadinata 2 Manado Performance with a Balanced Scorecard approach. This research uses Descriptive type of research and PT. Astra Honda Motor Manado as an object of this research. The result shows that the performance of PT. Honda Martadinata 2 was evaluated from a financial perspective is in the good condition. The performance of PT. Honda Martadinata 2 assessed from the customer perspective is good but it needs to be improved in terms of quality. The performance of PT. Honda Martadinata 2 are reviewed from the Internal Business Perspective with benchmarks SCE on this activity is well. From the Learning and Growth, PT. Honda Martadinata 2 is going well. Success of the learning and growth perspective will influence the success of the internal business process perspective and customer perspective as the peak is the success of financial performance.

Keywords: *performance analysis, balance scorecard.*

INTRODUCTION

Research Background

The development of competitive business led to the major changes of the global industry structures in production, marketing, human resource management, and the handling of transactions among businesses and consumers. This situation has also led to high intensity of survival indicators which forced the company that should have special competitive advantages which are effectively able to satisfy needs of consumers, capable of producing a quality product or service, and cost-effective (Karathanos and Karathanos, 2005). Moreover, the main competition in the global market is emphasized the implementation of the total quality management. Yet, it could create a continuous customer satisfaction and a significant market growth.

In the global competition, companies should have determining strategy. This will serve as a foundation and framework to realize the comprehensive goal which works collaboratively to reach profit maximization. It is also described as a signal to measure performance; hence it can determine a specific target that can be achieved. Performance measurement is one very important factor for the company. These include measurements that can be used to assess the success of the company and can also as a basis for preparing the rewarding system in the company. Therefore, it will provide information about how well the implementation of actions on the achievement of a plan where the company requires adjustments on the planning activity control. Several conditions must be considered in order to generate useful decision for performance measurement system, such as: in accordance with the objectives of the organization, reflected all of key activities, can be understood by all

employees and not just by top management alone, easily measured or evaluated, and used consistently throughout the organization. Hence it could be recognized as the long-term critical success factors.

Performance measurement has just only focused on finance. There are several weaknesses identified in measuring the customer perspective, internal business processes learning and growth, while the company's development requires more comprehensive adjustments (Kaplan and Norton, 1996). The less traditional measurement systems are far less convincing to provide the information that needed by company to measure and manage all activities which can trigger the company's a competitive advantage. Thus, it is important to address the other solution of problems besides in finance perspective by using Balanced Scorecard method.

Balanced Scorecard was first introduced by Kaplan and Norton which discussing a comprehensive framework on performance measures for implementing the strategy. In order to plan the score that is needed to achieve, the company must take into account the balance between the achievement of financial and non-financial performance, the performance of short-term and long-term program, and something that is internal and external affections (Huang, 2009). It views the company from four perspectives: financial, customer, internal business processes, and learning or growth perspective. All links with short-term operational control and then translates to the broad vision and long-term business strategy (Figge et al, 2002). Therefore, it could further to encourage management to focus on key ratios which are critical and strategic in every business units (Norreklit, 2000).

Balanced Scorecard performance measurement based on critical success factors. It could produce information into directional approaches and implementation process can be monitored easily by using the level of achievement identification or Key Performance Indicator (KPI). Given the performance measurement used in the Balanced Scorecard is a translation of the vision and strategy of the company. It can provide a guide for all employees in the company to be able to understand clearly that their activities affect the successful achievement of the organization vision, mission and strategy (Lipe and Salterio, 2000).

One organization that is necessary to implement this concept is PT Honda Martadinata 2 Manado. It is a company that currently operating in the automobile industry particularly in distribution and services. The company increased sales performance from year to year. This is necessary should be equal with an increasing of work performance. Therefore, the researcher is wanted to know how far the assessment of corporate performance by using Balanced Scorecard method. However, it is only limited in using financial statement analysis (financial ratios) to evaluate certain performance criteria, such: financial, internal business process perspective, customer perspective, learning and growth that can be used as a basis for strategic improvement. By seeing the explanation above and all the problems occur it is important to do the research with title "The Analysis of Company Performance using Balance Scorecard at PT Honda Martadinata 2 Manado."

Research Objective

To examine the Company Performance of PT Honda Martadinata 2 Manado measured by Balanced Scorecard approach.

THEORETICAL FRAMEWORK

Theoretical Framework

Company Performance Evaluation

Performance evaluation is a formal determination relating to every employee's individual work and the results. The goal is to assess the extent to which individuals give a contribution to the company, and whether the achievement is based on industry norms. Meanwhile, performance appraisal is a periodic determination of the operational effectiveness of an organization, personnel based on strategic objectives, standards, criteria predetermined (Behn, 2003). Performance measurement is intended to fulfill three things. First, performance measurement is intended to help improve the performance of companies to improve the efficiency and effectiveness of achieving company's goals and objectives. Second, the size of a firm's performance is used for resource allocation and decision-makers. Third, the size of a firm's performance aimed to achieve accountability to superiors and improve institutional communication (Shahraji et al, 2012).

Balanced Scorecard

Kaplan and Norton (1996), the Balanced Scorecard is a performance measurement tool where executives need a comprehensive measure of the four perspectives, namely financial perspective, customer perspective, internal business perspective, and learning or growth perspectives. The Balanced Scorecard also provides a framework to translate corporate strategy into operational terms. The company uses the scorecard measurement focus to produce a variety of management processes, including:

- a. Clarify and translate vision and strategy
- b. Communicate and link strategic objectives and measures
- c. Plan, set targets, and align strategic initiatives
- d. Enhance strategic feedback and learning (Kaplan and Norton, 1996)

Balanced Scorecard Perspective

Financial Perspective

Financial perspective remains in use in the Balanced Scorecard, as the financial measure indicates whether the planning and execution of corporate strategy provides has effectively repaired or increasing corporate profits. These improvements are reflected in the goals that are specifically related to measurable benefits, business growth, and shareholder value. Measurement of financial performance considering the stage of the business life cycle, which is: growth, sustains, and harvests (Kaplan and Norton, 1996).

Customer Perspective

Kaplan and Norton divide the customer perspective measurements divided into two groups, which is: customer core customer value measurement and prepositions. Customer Core Measurement has several components, which is (Kaplan and Norton, 2005):

1. Market Share (market share); this measurement reflects the part that controlled the company's overall market, which includes: the number of customers, number of sales, and sales unit volume.
2. Customer Retention (customer retention); measuring the rate at which the company can maintain a relationship with the consumer.
3. Customer Acquisition (customer acquisition); measure the rate at which a business unit is able to attract new customers or win new business.
4. Customer Satisfaction (customer satisfaction); Assess the level of customer satisfaction associated with specific performance criteria in a value proposition.
5. Customer Profitability (customer profitability); measure profits derived by an enterprise from the sale of products / services to consumers.

While the Customer Value Proposition is the trigger of performance contained in the core value proposition is based on the following attributes (Ahn, 2001):

1. Product/ service attributes
Includes the function of the product or service, price, and quality. Customers have different preferences on products offered. There are prioritizing the functions of the product, the quality, or the price is cheap. Companies must identify what customers want the products offered.
2. Consumer Relationship
Regarding the customer's feelings toward the purchase of products offered by the company. Consumer sentiment is strongly influenced by the company's responsiveness and commitment to customer issues related to the delivery time. Time is an important component of corporate competition. Consumers generally consider fast order completion and on-time as an important factor for their satisfaction.
3. Image and reputation
Describe the intangible factors that draw consumers to connect with a company. Build the image and reputation can be done through advertising and keep the quality as promised.

Internal Business Perspective

Kaplan and Norton divided firm generic value chain activities into four high-level processes: (1) innovation; (2) customer management; and (3) operations (Kaplan and Norton, 1996).

Learning and Growth Perspective

This perspective captures the ability of employees, information systems, and organizational alignment to manage a business and adapt to change. Process success depends on skilled and motivated employees, as well as accurate and timely information (Kaplan and Norton, 1992).

Previous Research

Banker et al., (2004) presented a balanced scorecard analysis of performance metrics and found that two of the three non-financial metrics are considered for local exchange carrier (the number of access lines per employee and percentage of digital access points) does not require a tradeoff with financial metrics (ROA). However, the three non-financial metrics (percentage of business access lines) are required to sacrifice financial metrics. It is important, therefore, for local exchange carrier access point to enter the percentage of businesses in addition to ROA in performance measurement and evaluation system to properly motivate managers. Huang., (2009) focused on the question of how management can select objectives and measures using the balanced scorecard hierarchy. This provides a logical and reliable means for individual business units to describe and implement their strategic planning. This system can help determine the weights of specific strategies and can help clients to more effectively execute strategic plans for improved business results.

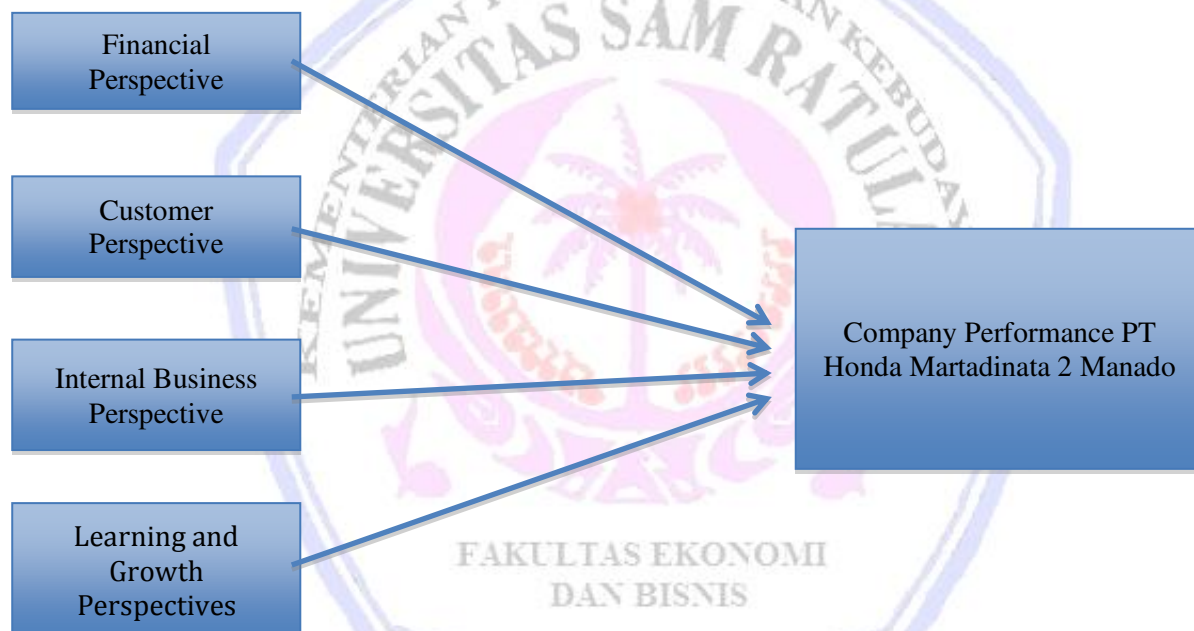


Figure 1. Conceptual Framework

It is a measurement and management system that views a business unit's performance and it is intended to answer several critical questions, which are:

1. How does the appearance of the company in the eyes of the shareholders? (Financial perspective)
2. How customers view the company? (Customer perspective)
3. What are the advantages of the company? (Internal business perspective)
4. What companies should continue to make improvements and create sustainable value? (Learning and growth perspective)

RESEARCH METHOD

Type of Research

This research uses Descriptive research where it will investigate the balanced scorecard process to analyze the company performance and how the implication of Balance scorecard itself.

Place and Time of Research

This research object is PT Honda Martadinata 2 Manado between June – July.

Population and Sample

The research object is the automotive company, PT Honda Martadinata 2 Manado. It is used to support the measurement of technique variables in the study. The populations in this study are the customer and employee of PT Honda Martadinata 2 Manado, also it being used as sample.

Data Collection Method

This research used several methods to collect data, namely: (1) Questionnaire, (2) Library Studies, (3) Documentation.

Data Analysis Method

This research used a descriptive analysis tool to describe PT Honda Martadinata 2 Manado Performance using a Balanced Scorecard.

Operational Definition and Measurement of Research Variables

1. Financial Perspective
 - a. ROI (Return On Investment): ROI is the ratio used to measure the ability of the capital invested in total assets to generate earnings.
 - b. Profit Margin: Profit margin is used to look at the size of the operating profit in relation to sales to determine the efficiency of the company.
 - c. Operating Ratio: The higher the operating ratio, indicating that the company can take advantage of fee-owned in generating net sales.
2. Customer Perspective: Data obtained from questionnaires to customers.
3. Internal Business Perspective: The measurement component used is Service Cycle Efficiency (SCE).
4. Learning and Growth Perspective: Data obtained from questionnaires to employees.

RESULT AND DISCUSSION

Result

Financial Perspective Performance

Balanced Scorecard retains financial measures in assessing the performance of a company. It is useful to summarize the consequences of economic actions that have been taken. Financial benchmarks indicate whether the strategy and its implementation contribute to the improvement of the productivity. Viewed from the perspective of the financial ratios measure profitability and growth ratio is good. It is seen from the calculation of Gross Profit Margin, Return on Investment (ROI) and the rate of revenue growth showed good results. The results can be seen in the table as well as the calculation of the benchmark graphs profitability ratios and growth ratios

The Gross Profit Margin in June 2009 was very high compared to other months. It was due to increased selling prices, both for cars and service and parts, while the cost of goods sold is the old price before the increase. Average Gross Profit Margin for 24 months is 7.71%. Average Gross Profit Margin increased from 2009 to early 2011 was 0.09%. Thus, the performance of PT Honda Martadinata 2 Manado in terms of Profitability Ratio is good. The overall ROI has increased little by little, but there is also an immediate ROI and increased drastically decreased. Average ROI of the year in 2009 increased by 0.24% in 2010 but fell back in

early 2011 of 0.15%. Overall, there was an increasing of ROI in 2009 until the beginning of 2011 by 0.09%. Thus, the performance of PT Honda Martadinata 2 Manado in terms of Return On Investment is good.

Gross Profit Margin formula used is:

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Gross Sales}} \times 100\%$$

ROI formula used is:

$$\text{ROI} = \frac{\text{Net Income}}{\text{Investment}} \times 100\%$$

Customer Perspective Performance

PT Honda Martadinata 2 Manado using Follow Up After Sales for Sales section and Voice of Customer (VOC) for Service section. Customer perspective is closely related to the level of customer satisfaction with the product or service being offered. Performance PT Honda Martadinata 2 Manado are reviewed from the perspective of the customer with benchmarks Follow Up After Sales and VOC is good. This is the evident from the results of Follow Up After Sales, which indicates that the customer is very satisfied with the service PT Honda Martadinata 2 Manado, and VOC that shows that customers are satisfied with our performance but need to be improved in terms of quality.

Table 1. Follow Up After Sales

Month	No. of Cust.	Thank you Greeting		Sales Person		Showroom		Up Date Data	
		Satisfy	Unsatisfied	Satisfy	Unsatisfied	Satisfy	Unsatisfied	Complete	Not Complete
April, 2011	55	√		√		√		√	
May, 2011	50	√		√		√		√	
June, 2011	42	√		√		√		√	
July, 2011	27	√		√		√		√	

Source: Data Processing 2011

Internal Business Performance

Performance assessment with internal business processes is necessary to use benchmarks Service Cycle Efficiency (SCE) to assess the efficiency of time-spent PT Honda Martadinata 2 Manado. SCE results of all three types of activity in the PT Honda Martadinata 2 Manado indicate that the performance of the internal business process perspective is good but not efficient. Sales SCE calculation section used in this study consisted of two events as follows:

1. Long time customer prospect activities undertaken by Sales Person. Prospect activity is an activity in which the Sales Person to bid on the cars of Honda customer. After conducting prospect, Sales Person will continue to follow up until the customers do the SPK. The time period has been summarized by the researchers based on data from Appendix that can be seen in the table below. Based on the results in Table 2 SCE was found that the average SCE is less than 1 at 0.57. This indicates that there are no value-added activities. The activities carried out in the form of the waiting time by Sales Person for customer still contemplating to SPK. While waiting for the customer to make a decision, Sales Person still doing follow-up customer. Activities that are not value added cannot be removed because the decision is in the hands of the customer. Thus, the performance of PT Honda Martadinata 2 Manado is reviewed from the perspective of internal business processes with benchmarks SCE on this activity is good.

Table 2. Prospect Activities to Customer

Customer	Vehicle type	Prospect	SPK	Duration	Value added time	SCE
Cust. 1	City	3-May	11-May	8 Days	4 Days	0.5
Cust. 2	Jazz RS	8-May	14-May	6 Days	4 Days	0.67
Cust. 3	Jazz RS	9-May	21-May	12 Days	4 Days	0.33
Cust. 4	Jazz S	14-May	19-May	5 Days	4 Days	0.80
Average				7 Days	4 Days	0.57

Source: Data Processing 2013

2. The time frame delivery order. Time is expected to be taken by the company in this activity is 2 days. That time consisted of the preparation of the car, procedural preparation to conduct Pre Delivery Inspection (PDI) to inspect the condition of the car. After all the activities carried out, the car was ready to be delivered to the customer. In fact, periods spent more than two days and even up to 23 days. External factors are the main causes of inefficiency occur.

Learning and Growth Performance

Performance of the learning and growth perspective PT Honda Martadinata 2 Manado assessed using measures of employee productivity levels and Key Performance Indicators (KPI). Employee productivity levels and KPI results show that the performance of PT Honda Martadinata 2 Manado viewed from the perspective of learning and growth is good. KPI is a measure used by PT Honda Martadinata 2 Manado to assess employee performance. KPI has been enacted in January 2011 and by quarter. The data used in this study is the first quarter of the KPI data is from January to April 2011.

Table 3. KPI Data First Quarter

Department	Score
Sales	3
Service	3
Spare part	3
CCO	3
Accounting and General	3

Source: Company Data

Assessment using the KPI for each section divided into two, namely the assessment of key performance targets (70%) and public votes (30%). Assessment of key performance targets each section varies according to the job description that is given while the assessment objectives common to all the parts are the same. Assessment is done directly by the manager of each part that has previously been approved by the employee concerned. KPI assessment is used to determine employee productivity and comfort while working at PT Honda Martadinata 2 Manado. Results of KPI is used to determine the large bonuses that can be received by the employee and determine who should be given training in order to improve the quality of the company's employees.

Discussion

By judging the performance using the balanced scorecard, the company's general strategy is to increase revenue. Actions taken in the financial perspective is to increase corporate profits. To investigate whether the strategy can already be done well or not, in this research use measures of profitability ratios and growth ratios. Profitability ratios to Gross Profit Margin and ROI while the ratio of the growth rate of revenue growth. The

results showed that the financial performance. Honda Martadinata 2 is good enough but the calculation of the growth rate of revenue shows that the company should further stabilize revenue each month. Performance appraisal customer perspective in this study is using the Follow Up After Sales and VOC. These results indicate that customers are satisfied with the service provided by PT Honda Martadinata 2 Manado. This is in accordance with the company's strategy of improving the quality of dealer service.

Internal business process performance assessment in this study was measured by measuring the processing time. Activity measured is customer prospect events, activities and delivery order time regular service activities. Activity is expressed good customer prospects for value-added activities. Time delivery order and declared a regular service activities not efficient because no value-added activities that should be eliminated is still going on. The average SCE generated less than 1 and indicates that the average performance has not been efficient. The company's strategy to increase the efficiency of future events can not be fulfilled because there are no value-added activities should be eliminated but it still happens.

Performance assessment of learning and growth perspective is measured using the level of employee productivity and KPI. Based on the level of employee productivity and KPI results, performance learning and growth perspective PT Honda Martadinata 2 Manado showed good results. KPI with a value of 3 (satisfactory) to make the company must provide training to its employees so that a given KPI values can be increased.

CONCLUSION AND RECCOMENDATION

Conclusion

The result and discussion that have been described in previous chapters, that outlined all of performance indicators were running well. Therefore, the assessment of company performance based on the Balanced Scorecard's perspective will be described as follow:

1. Financial performance as measured by the Gross Profit Margin, ROI and revenue growth is good. It can be seen from the ratio of profitability and growth ratios had showed in good results.
2. Performance of the customer's perspective in this study using the Follow Up After Sales and VOC. These results had indicated that customers are satisfied with the service provided by PT Honda Martadinata 2 Manado.
3. Internal business process performance in this study is analyzed by measuring the time processing in activities, which are customer prospect events, activities and delivery order time regular service activities. SCE generated less than 1 and indicates that the average performance of the internal business process perspective has not been efficient.
4. Performance of the learning and growth perspective is measured using the level of employee productivity and KPI. Based on these results, performance learning and growth perspective PT Honda Martadinata 2 Manado showed good results. The Company should continue to provide training to employees so that employee productivity levels and KPI values can be increased.

Recommendation

1. The company should assess more effectively the performance by using the Balanced Scorecard. Although there have been two indicators of Balanced Scorecard were used, but the important indicators the financial perspective and the internal business process perspective are not working well. It should be taken into account that financial perspective of performance assessment is important for decision-making. Performance appraisal business process perspective needs to be done to find out if there are no value-added activities that can be eliminated.
2. Based on the results, the company should do an evaluation of its performance, in terms of addressing the fluctuations of operating profit and earnings. The company should improve financial performance by increasing revenue and optimize costs incurred by the company.
3. Future studies should better take into account the effect of any perspective on the assessment of the overall performance of the company as well as to develop the benchmarks on each perspective in order to obtain comprehensive results. It was needed because this study has the disadvantage of not using a more comprehensive measure due to the limited data obtained.

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